

Horizontal Financial Ratio Analysis to Estimate the Chronological Period of Financial Difficulties at PT Garuda Indonesia 2013-2021

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Abstract

PT Garuda Indonesia is one of the state-owned companies experiencing financial distress because of complex. Financial distress condition can be analyzed based on financial statements. This article aims to investigate the financial performance of the company by using horizontal analysis of financial ratio to estimate chronological period of financial difficulties at PT Garuda Indonesia in 2013-2021. Financial distress that is not managed properly will effect to bankrupt condition. This study uses financial ratio that are liquidity ratio, solvability ratio, and profitability ratio to evaluate the financial distress condition of PT Garuda Indonesia. Data was obtained from financial position statement and income statement. The results of research shown that In 2013 the company has experienced illiquid continuously until 2021. This is an early signal of financial difficulties occurring. In 2014, there was an insolvency until the end of the analysis year. Losses occurred in 2014, but the next 2 years experienced gains. Continuous losses occurred from 2017 to 2021. Illiquid, insolvency, and losses aggravated the condition of financial difficulties so that PT Garuda is currently in a insolvency bankrupt condition. Professional and integrated financial management is needed so that problems can be resolved immediately.

INTRODUCTION

Financial difficulties occur in companies both privately owned and government-owned. PT Garuda Indonesia is one of the State-Owned Company which engaged in the aviation transportation sector. It has existed since 1949. The company has been going public since 2011. Based on a report by Media BUMN (2020), PT Garuda had experienced fluctuations in financial performance. Fluctuations in the development of the company's financial performance are influenced by internal and external factors.

Inaccuracies in internal management and the level of fierce competition with aviation sector and also the Covid-19 pandemic caused the company's performance worst. Even in 2021, PT Garuda is the state-owned company that has the largest suffered losses and caused detriment to Indonesia.

Unfortunately this condition has been going on for a long time. Even though Garuda is the red plate airline owned by government and also the pride of the Indonesian nation, the poor financial performance should be taken properly strategy. Professional management is expected to be implemented in the company. As a state own company, its income should be distributed to improve the welfare of Indonesian people and give benefit to Government. Early detection of problematic financial performance can be an important alternative to avoid bankruptcy of the company. Financial distress can be avoided by fixing problems that shown of financial statements. It becomes source information to detect the condition of the company.

Financial ratio analysis is one of the analyses that can see a company's condition. Financial ratios are believed to be used to predict the company in the future. Moreover, PT Garuda Indonesia is a company listed on the Indonesia Stock Exchange, so it is mandatory to publish its financial statements. It is easier for many related parties to see the stages and levels of financial security owned by PT Garuda Indonesia easily. According to Mulyawan (2015) financial distress is a serious problem because if it is not addressed it will lead to regional bankruptcy. Companies that has go public and have experience financial difficulties, will lose confidence for investors and creditors, which will reduce the value of the company.

Recently researchers conducted on PT Garuda looks at bankruptcy predictions based on published financial statements. It is compulsory to investigate financial difficulties that occur in the company both in the short and long term.. This article will discuss the issue of PT Garuda's financial difficulties from other sides which are financial ratio analysis and financial distress level by analyzing chronologically the timing. Further research is expected to be able to explore the causal factors and alternative solutions.

LITERATURE REVIEW

Financial Performance

According to Sianturi (2020) financial performance is an explanation of the financial status of a business through financial analysis tools to understand the condition of a business, especially in business finances side that will reflect its performance within a certain period of time. Financial performance largely is determined by the quality of management used to achieve the goals of a business. Therefore, to measure financial performance, it is necessary to conduct an analysis of financial statements. Measurement of financial performance involves evaluating the financial position of a certain period aimed at finding existing shortcomings in the future performance of a company and as preventive measures to find out the strengths in facing the company's problems (Suhaimah & Chaerudin, 2020). Based on Financial performance information the efficiency and effectiveness of a company in generating profit and a certain cash position can be evaluated. By measuring financial performance, it can be seen the prospects for the growth and development of the company's finances. A successful company is the company that achieved a certain performance that has been determined. In general, the definition of financial performance is the work of various parties in the company or company which can be seen from the company's financial condition under certain conditions and during a certain period with aspects of collecting and distributing funds based on indicators of capital adequacy, liquidity, and company profitability. Financial performance is an analysis to assess the extent to which the company has carried out activities in accordance with applicable regulations. According to the Statement of Financial Accounting Standards No. 1 of the Indonesian Institute of Accountants: (Revision 2009) says that: financial statements are a structured presentation of the financial position and financial performance of an entity. The purpose of financial statements is to provide information about the financial position, financial performance and cash flow of entities that are beneficial to most users of the report in making economic decisions. Financial statements also show the results of management's accountability for the use of resources entrusted to them.

Financial Ratio Analysis

Kasmir (2018) stated that "financial ratio analysis is an activity of comparing the numbers in the financial statements by dividing one number by another". Financial ratio analysis is a ratio calculation using financial statements that function as a measuring tool in assessing the company's financial condition and performance. According to Kamal (2015) said

that in the analysis of financial statements are numbers that show the relationship between an element and other elements in the financial statements. Ratio describes a relationship and comparison between a certain amount in one financial statement post and another amount in another financial statement post. By using financial analytical methods such as in the form of ratios, this will be able to explain or provide an overview of the good or bad of the state or financial position of a company. Financial ratios can also help companies identify the company's financial strengths and weaknesses. Financial ratio is the most widely used analytical techniques in predicting financial distress. Jumingan (2005) stated that the analysis of financial ratio statements is a number that shows the relationship elements with other elements in the financial statements. It can be done by considering 1. the records of the company's financial condition and operating results of past years. 2. the ratio of other companies that are competitors, one company that is classified as developed and successful is selected. 3. the data of the financial statements that are budgeted (called the goal ratio). 4. the industry ratio, in which the company in question enters as a member

Liquidity Ratio

Darsono (2009) states that liquidity is the ability of a company to fulfill all its maturing obligations. The greater the amount of current assets compared to current debt, the more liquid the company. Illiquid companies will lose the trust of outsiders, especially creditors and suppliers and even from employees. Thus, it can be said that liquidity ratio is to find out the company's ability to finance and fulfill obligations (debts) at the time of billing. According to Hanafi & Halim (2016) The bad liquidity ratio in the long term will affect to the solvability company. If the company cannot fulfill its maturing or illiquid obligations, it is categorized into companies that experience financial failure. Continuous failures can destroy a business if not addressed immediately. According to Kasmir (2018) says that the liquidity ratio is a ratio used to measure how liquid a company is by comparing the components on the balance sheet, namely total assets with total short-term debt.

Solvability Ratio

According to Kasmir (2018) Solvency is a ratio that measures the extent to which a company's assets are financed with debt. In other words, the solvency ratio is a ratio used to measure how much debt burden must be borne by the company in order to fulfill assets. Thus, the solvency ratio is used to find out how much the ability or assets of the funded company use debt. Darsono (2009) states that solvency analysis is related to how a company uses debt to finance its investments. The ideal ratio is 40%, but it will largely depend on economic conditions. Under good economic conditions, the ratio can be high because it is expected to result in high operations. Conversely, in a bad economy, the debt level must be low in order to have a low interest expense. The condition of a company that can no longer afford to pay its obligations is a sign that the company is experiencing financial difficulties that if not overcome immediately will lead to bankruptcy (Prihadi, 2020)

Profitability Ratio

According to Kasmir (2018), the profitability ratio is a ratio to assess the company's ability to seek profit. In addition, according to Halim & Hanafi (2016) this ratio measures the company's ability to make a profit (profitability) at a certain level of sales, assets and share capital. Thus, the profitability ratio to determine the company's ability to measure the use of assets in making profits or the profit earned must be above the average profitability. Darsono (2010) states that Profitability is the ability of management to make a profit. The profit obtained must be increased above average by increasing revenue and reducing all expenses. In other words, to increase profits, the company must increase by increasing market share with a favorable price level and eliminating assets that do not have added value. Prihadi (2008) adds that there 3 basic the

formulation of profitability which are: level of profitability relates to revenue (sales), level of profitability that relates to the use of asset and level of profitability relates to equity.

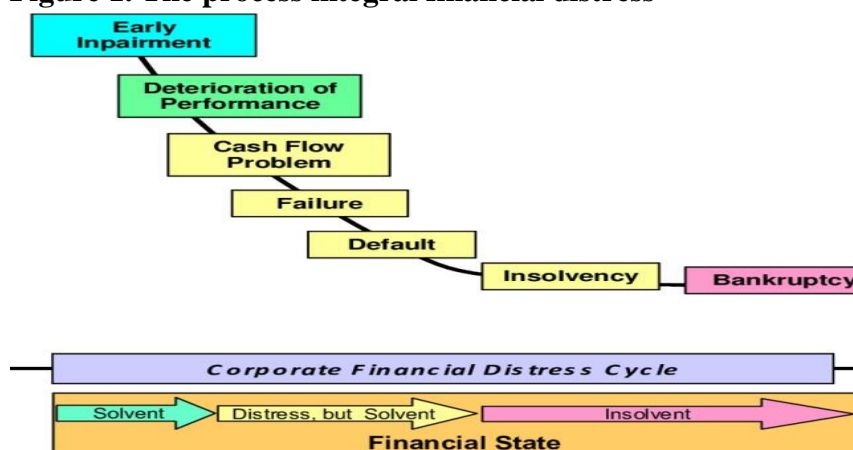
Financial Distress

Financial distress is also called financial difficulties and threatened with bankruptcy. This can happen because the company cannot fulfill the obligation to repay the loan at maturity. Nidar (2016) argues that the possibility of big opportunities to have financial distress bigger if its liabilities more added. Financial difficulties that are not addressed immediately can lead to the company going bankrupt. Financial difficulties can be described between two extremes, namely short-term liquidity difficulties (the mildest) to insolvency (the worst). Insolvency can be distinguished in two categories, namely technical insolvency and bankruptcy insolvency . Technical insolvency, is temporary and arises because the company lacks cash to meet short-term obligations. Bankruptcy insolvency, is more serious in nature and arises when the total value of debt exceeds the total value of the company's assets or the value of the company's equity is negative.

Financial distress can occur in all companies. The causes of financial distress also vary. There are several classifications of financial distress. The first type of financial distress is economic failure, which is the failure of the economic system as a whole in a country or region. One example of this type of financial distress is uncontrolled inflation, monetary crisis, being a victim of a bubble economy, and so on. Second is Business Failure. In addition to economic factors outside the company, financial distress can also take the form of business failure, or business failure in achieving the company's financial targets. This type of financial distress can be caused by various sectors, ranging from marketing, production, to the financial division itself. Third is Technical Insolvency. Technical insolvency is a type of financial distress that occurs due to a company's failure to pay off its short-term liabilities, such as accounts payable, monthly bills, employee salaries, and so on. Ideally, technical insolvency does not occur protracted and can be solved. The fourth type of financial distress is a continuation of technical insolvency, namely bankruptcy insolvency. This financial distress will occur if the company continues to fail to pay short-term liabilities, and affects the failure to pay long-term liabilities as well. Legal Bankruptcy The last type of financial distress is legal bankruptcy, or bankruptcy due to legal issues. Legal bankruptcy can occur due to bankruptcy or other serious violations committed by the company, to the point of eventually requiring the business to be bankrupted by the courts.(Source : OCBC NISP, 2021).

According to Pranowo et al (2010) modified from Outecheva (2007) the Process of financial distress can be seen at figure 1.

Figure 1. The process integral financial distress



METHOD

The data used for analysis is data derived from annual report of the financial statements in the financial position and income statements in the 2013-2021. There are 3 (three) ratio that analyzed are liquidity ratio, solvability ratio and profitability ratio. The analysis method used in this study is horizontal (dynamic) analysis. Horizontal analysis is an analysis that is carried out by comparing financial statements for several periods. Kasmir (2019) stated that by implementing this analysis the changes that occur can be detected, both increase or decrease also progress or failure in achieving the targets that have been set before can be shown. The financial ratio obtained is compared year to year during the analysis period. Kasmir (2019) states that financial ratios can be used to evaluate financial condition and financial performance, so the level of empowering company resources can be assessed effectively. Furthermore, Based on the analysis, it can be seen the period of the company the has financial difficulties initially and its changing, because financial distress cannot happen automatically without any warnings. In other words based the financial distress can be investigate by chronological process.

The liquidity ratio is calculated by CR, the solvency ratio is calculated by DAR, DER, and the profitability ratio is calculated by ROA, ROE, Operating Income Margin, Net Income margin, and EBITDA margin. The formulation of the operational variable can be seen in table 1.

Table 1. Definition of Operational Variable

No	Ratio	Indicator	Formulation
1	Liquidity	CR (Current Ratio) (%)	=Current Asset : Current Liability
2	Solvability	DAR (Debt to Asset Ratio)	= Debt : Total Asset
		DER (Debt to Equity Ratio)	= Debt : Total Equity
3	Profitability	ROA (Return On Total Asset)	= Return : Total Asset
		ROE (Return On Equity)	= Return : Equity
		(OIM) Operating Income Margin	=EBIT: Sales
		Net Income Margin	= Return: Sales
		EBITDA Margin EBITDA = Earning Before Interest , Tax, Depreciation & Amortization	EBITDA : sales

RESULTS AND DISCUSSION

In general, it can be said that PT Garuda has a history of financial difficulties for a long time. In 2014 the company suffered losses which were then successfully corrected, so that the next 2 years, namely 2015 and 2016, recorded profits. But unfortunately, from 2017 until the end of the year of analysis, the company experienced continuous losses with an increasing level of loss, and the largest was the loss that occurred in 2020. The liquidity ratio shows that since 2013 the company has been illiquid continuously up to 2021 with the ratio getting smaller, which means that the higher the number of current liability rather than its current asset and the smaller the company's ability to pay its short-term obligations. Insolvability based on DAR indicators has occurred in 2013 which lasted continuously until. Based on the DER indicator, the company's insolvability has occurred since 2014, and continues to take place in 2021. In 2020 and 2021 the DER value is already very worrying because of it has the negative value. This means that the amount of debt is more than its own capital. At this time PT Garuda is said to be insolvency in a state of bankruptcy.

Table 2. Mapping of Financial Analysis Ratio on PT Garuda Indonesia 2013-2021

No	Ratio	2013	2014	2015	2016	2017	2018	2019	2020	2021	Assesment
1	Liquidity										
	CR (%)	83.73	66.47	84.28	74.52	51.34	35.28	33.39	12.49	5.79	Poor
2	Solvability										
	DAR	34	38	41	45.33	45.86	46.88	41.25	71.97	132.07	Poor
	DER	0.92	1.33	1.43	1.68	1.83	3.04	3.15	(4.00)	(1.55)	Poor
4	Profitability										
	ROA (%)	0.78	(11.85)	2.36	0.25	(5.67)	(5.51)	(1.00)	(22.55)	(58.03)	Poor
	ROE (%)	2.15	(41.95)	8.2	0.93	(22.76)	(35.78)	(7.65)	(127.46)	(68.31)	Poor
	OIM (%)	2.03	(10.05)	4.42	2.56	(1.82)	(4.60)	2.10	(147.63)	(296.42)	Poor
	NPM (%)	0.63	(9.38)	2.04	0.24	(5.1)	(5.29)	(0.97)	(165.96)	(312.27)	Poor
	EBITDA	22.04	19.98	32.77	6.93	1.61	(0.46)	6.08	(34.39)	(202.10)	Poor

Source: www.garuda-indonesia.com

Liquidity Ratio

Since 2013, it can be seen that the value of the liquidity ratio of CR always below 100%, and from year to year it has continuously decreased. Even in 2021 the value is already below 10%. This means that from 2013, it is indicated that the company is illiquid. The liquidity ratio is looking at the company's ability to meet its short-term obligations. The decrease in liquidity during the observation year was experienced by PT Garuda Indonesia. A current ratio with a value below 100% indicates that the company's current debt is greater than the current assets owned by the company. This is actually an early signal of financial distress in the short term. According to Darsono (2010), companies can improve their liquidity by increasing capital, sell part of fixed assets, short-term debt is used as long-term debt and short-term debt is used as its own capital.

In the liquidity ratio, It is a good signal for company if the quantity number of current assets higher rather than current liability (Darsono, 2010). Prihadi (2019) stated that the inability of a company to fulfill its obligations is an early indication of the bankruptcy of a company. Therefore financial ratio can be used to determine the level of indications of bankruptcy of the company. The same opinion was stated by Nuriasari (2010) that liquidity ratio is important because inability to pay short term liabilities will affect to the corporation bankruptcy. It is clearly, during research period start from 2013 up to 2021, PT Garuda Indonesia has always CR value ratio below 100%. It means the current asset is not enough to pay short liabilities. So the company is illiquid. It is an early indicator that shown company has financial difficulties. The company should have made efforts to increase its liquidity level. According to Sutrisno (2008) The greater the liquidity means the greater the company's ability to pay its short-term debt. Although there is no definite measure of how much liquidity is good, but for non-financial companies that have liquidity less than 200% is not good. In Summary since 2013, based on current ratio value, the company has financial difficulties due to its short term liability is higher than current asset.

Solvability Ratio

Solvency analysis is to look at the company's ability to repay its loans in the long term. DAR from 2013 until 2021 tends to increase from 34 up to 132. The higher of DAR value means (1) the number of assets financed by debt is getting bigger (2), the amount of assets financed by capital is getting smaller (3) The company's risk of settling long-term liabilities means the higher (4) The interest expense on the debt borne by the company means the higher. It means the company has financial distress that relates to insolvency. In other words, the company cannot manage properly its liabilities due to tend to increase. The problems that arise in liquidity should be resolved immediately so that financial difficulties do not add to long-term financial difficulties. In 2020 and 2021, the number of long-term loans has greatly increased sharply. This must be watched out for, because the solvency rate is low, while the burden of loans, namely interest, continues to grow. On the other hand, it must be followed by an increase in profits.

Even in 2020 the company's own capital/equity is smaller than the amount of loans it has. Mulyawan (2015) stated that financial ratios can be valuable information. If the company has been showing a state where a low level of liquidity or high leverage, it is a warning notification because it can be an indication of impending bankruptcy. Meanwhile, the solvency ratio is to see the company's ability to meet its long-term obligations. One of the characteristics of long-term loans is to incur interest. Loan interest becomes a fixed burden on the company while the company's performance fluctuates. According to Prihadi (2019) the debt measured can be long-term debt or total debt. It will lose the trust of outside parties, especially creditors, suppliers and the company's own internal management. It can be stated that the company is in insolvent condition. This can happen because financial difficulties in the short term are not immediately given a solution so that it becomes a long-term financial difficulty. This is an indicator of bankruptcy. According to Kumalasari (2022), the higher value of DER has a bad impact on the company's performance, due to the higher level of debt. This indicates that the company's interest expense will be greater and reduce profits. There are several possibilities for DER values: (1) namely The ratio or value of DER is below or equal to 1, then the company's condition is included in the healthy or good category. The reason is, if the company defaults, the company's equity is proven to be able to pay its debts, (2). The DER value is above 1, then the company's condition is included in the warning category. Analysis of the financial statements, where the source of the debt comes from, bank debt, bonds, or business debt, (3) The value of DER is 2, then the condition of the company is already at high risk.

Based on Table 2. In 2013 the financial condition was still good because the value of DER was still below 1. From 2014 to 2019, the company's financial performance declined due to DER value more than 1. This is a warning to companies that long-term financial difficulties are starting to occur. In 2018 and 2019, the decline in performance still occurred which can be seen from the DER value already above two, namely 3.04 and 3.15. which means the company has a high risk. The company's financial condition is seen from the current ratio getting worse, even in 2020 and 2021, it has been negative. According to Kumalasari (2022), a negative value means that the calculation of losses owned by the company has exceeded the amount of its equity. This means that the company has experienced illiquid and insolvency plus business activities do not get profits or even losses. A solution should be sought to pay loans not from profits but in other ways, for example the injection of funds from investors or the government as the largest owner of PT Garuda's capital. So the addition of, capital is not carried out at the time when it is known to be bankrupt, but from the beginning there are financial difficulties. So it is not supposed to pay loans or improve the company's operations with loan funds from

internal parties that must be paid at maturity. The right strategy is to make efficiencies in all possible activities, including evaluating aircraft leases from third parties.

Profitability Ratio.

The ROA of 2013 was still but in 2014 was negative and the next following two years were positive. Negative ROA was obtained continuously from 2017 to 2021, even in 2021 the ROA value was very high (58.03). The occurrence of company losses can be seen in the 2017. The ROE ratio is also the same as ROA, from 2017 to 2021 it shows the value is negative. For ROE the largest and negative values occurred in 2020. An ROE value below 0 or ROE minus means that the company is not able to make a profit as expected, even if it has received investment from investors. Operating profit/ operating income is an indicator of the company in achieving profit from the main business. Halim & Hanafi (2016) stated that the higher the profit margin, the higher the company's ability to make a profit. PT Garuda Indonesia's Profit Margin as measured by operating income margin and Net Profit Margin during the analysis year fluctuates but tends to be negative with a large value (starting in 2020-2021). This means that the company's operating costs are greater than its revenue or receipts so that the company is guaranteed to suffer losses. In this study, profit margin was measured based on Operating Income Margin and Net Profit Margin. The operating profit margin ratio assesses the company's ability to generate net profit and net sales over a period of time. Meanwhile, operating profit in operating profit margin is net profit before being subject to tax and interest (EBIT= Earning Before Interest and Tax), . Meanwhile, Net Profit Margin is a comparison between net profit (EAT-Earning After Tax) and sales or revenue. Operating Income Margin Operating profit margin is a constellation to look at a company's ability to minimize its operating costs and a company's ability to maximize revenue or sales. The higher the OPM value means the greater the profitability performance of the company. If the OPM ratio is negative, it means that the company's operating costs are greater than the sales or revenue it earns.

In 2013, 2015, 2015, and 2019 OIM was still positively valued, mean that operating costs were still smaller than revenue. In 2014, 2017, and 2018 OIM values were still positive. Based on this, OIM experienced fluctuations during the analysis year, and the tendency was to analyze negative values even with large nominal values, namely (147.63) and (296.42). This means that the operational costs of the expenses are getting harder to control or the more they are getting bigger. Even though the income or receipts increase is not as large as operating costs. These are all indicative, e.g. management in the company. A company's operating profit margin is indicative of how well it is managed because operating expenses such as salaries, rent, and equipment leases are variable costs rather than fixed expenses. A company may have little control over direct production costs, such as the cost of raw materials required to produce the company's products.

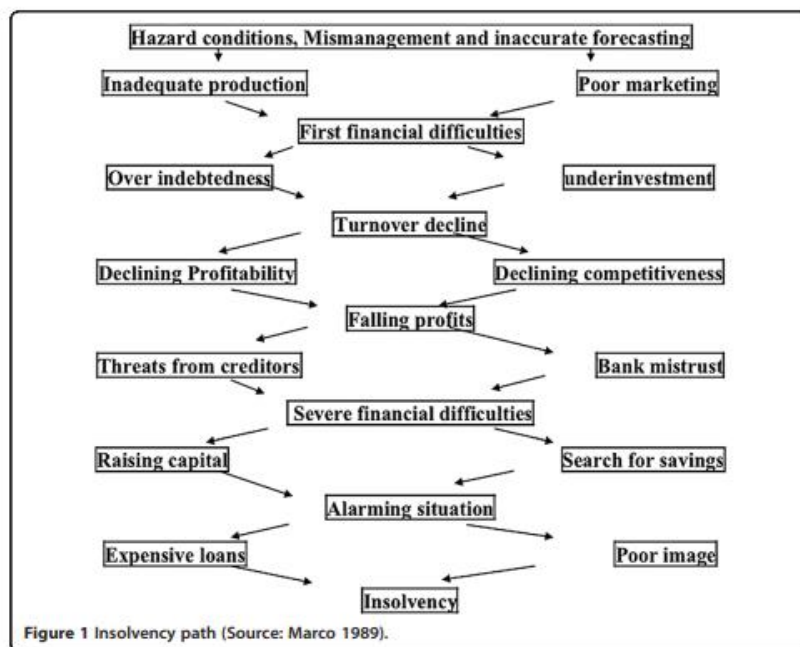
The condition of the company is considered good, if it already has a Net Profit Margin or Net Profit Margin above 10%. Net Profit Margin (NPM) analysis describes the level of stability of the company, because it is a comparison of net profit and sales. The greater the ratio, the more productive the company's performance so that investors can increase their confidence to invest in the company. A company that generates greater profits per value from sales means that the company is more efficient. In 2013, the Company's NPM was already good because its value of 0.63% means above 10%, but in 2014 it was directly negative. Then the company's condition began to improve, NPM was not negative even though the value was below 10%. Starting from 2017 to the end of the NPM value analysis year, which from 2017 to

2021 (the end of the analysis year) PT Garuda Indonesia experienced consecutive losses. negatively valued. If the NPM ratio is negative, it means that the company has suffered losses. In other words, the company's expenses are greater than the sales or income earned in one year. This means that in 2014 the company suffered losses, in 2015 and 2016 it experienced gains, but after that it suffered losses and even losses were even bigger at the end of the analysis year. It should be in 2016, when the NPM value is below 0.5, companies must make efforts to improve the company's performance as seen from the NPM indicator.

If the company's EBITDA is negative, it means that the company's cash flow is in poor condition. At PT Garuda Indonesia, financial difficulties identified from non-current cash flow can be seen in the financial statements in 2018, 2020 and 2021. A solution should be sought to pay loans not from profits but in other ways, for example the injection of funds from investors or the government as the largest owner of PT Garuda's capital. So the addition of , capital is not carried out at the time when it is known to be bankrupt, but from the beginning there are financial difficulties. So it is not supposed to pay loans or improve the company's operations with loan funds from internal parties that must be paid at maturity. The right strategy is to make efficiencies in all possible activities, including evaluating aircraft leases from third parties

Financial Distress

According to Marco in Levratto (2013) the process of insolvency corporation can be seen in Figure 1. No bankruptcy occurs suddenly in the absence of an unidentifiable cause.



The company's financial difficulties can be caused by factors such as hazard conditions, mismanagement and inaccurate forecasting. A hazard is defined as a "Condition, event, or circumstance that could lead to or contribute to an unplanned or undesirable event." Usually moral hazard occurs because of the relationship between several factors that cause business failure. Mismanagement is a situation in which something such as economy is organized/ controlled badly. Based on PT Garuda problems, since 2013, PT Garuda has problems in liquidity. It can be seen from CR ratio value which are less than one. This is an early signal for bankruptcy if appropriate steps are not taken. At this stage, the company has financial distress in the short term. It is In other words, it is an early indicator of bankruptcy has occurred. At

this stage, it should have been analyzed, the factor that caused the illiquid so that it did not occur. In fact, illiquid lasts continuously until the end of the analysis year.

In 2013, the DER value was still below 1, while the DAR value was more than 1. In 2014, it was indicated that there was an indicated insolvability of DER and DAR. This means that the increase in the loan amount is getting bigger. The company in the financial difficulties because a lot of loan has been repaid. On the other hand, operational costs incurred remain high, while revenues and even losses occur due to external factors such as competition in the market and also Covid-19 pandemic that occurred in 2020. In other words, the loan cannot be repaid, because the source for repayment from the profits are not available because the company suffers losses. The Indonesian government through its power-related ministries and regulations is trying to re-nourish the company, including through debt structuring and professional management. It is expected that the company can be more efficient and effective in controlling expenses or increasing the amount of capital owned especially if the capital from external. In other words, PT Garuda can get an injection of funds from shareholders, both the public and the government, especially from the government of as the largest shareholder, as well as having power in the regulatory.

The chronological period of the financial distress of PT Garuda can be seen at figure 2.

Figure 2. Chronological Period of Financial Distress of PT Garuda



Recently, PT Garuda Indonesia, is in the bankrupt insolvency. The indicator in the financial analysis can be seen from the number of equity is smaller than liabilities. Most of the companies are debt obligations to the lessor, namely the party who leases the aircraft to Garuda. So far, there has been mismanagement of aircraft rental fleets ranging from more expensive rental prices, various types of aircraft leased and also decisions about the quantity and quality of lessors, so that the burden of operational costs increases. During the pandemic in 2020, mobility restrictions affected Garuda's financial performance even more difficult, as losses accumulated. Pranomo et al (2010) added that insolvency condition leads to bankruptcy. Other opinion states that Bankruptcy can be classified as technical insolvency bankruptcy and legally bankruptcy. The position financial distress of PT Garuda Indonesia in the insolvency bankruptcy due to the liabilities is higher than equity. According to Halim and Hanafi (2018) financial distress can be solved by informal and formal action. Formal action can be done if the problem is worst such as financial PT Garuda Problems. It can be solved by reorganization, by changing capital structure to be eligible capital structure or liquidation by selling its assets.

CONCLUSION

The company is identified illiquid 2013-2021. It is an early signal that the company has financial difficulties. The company identifies insolvability and loss in 2014, but the next 2 following become better. However in 2017 onwards it turned into a company becoming unsolvable and experiencing continuous losses, which reached its peak in 2020. Starting in 2020, the amount of company debt is greater than its own capital. The largest debt is owed to the lessor. There are indications of mismanagement in determining the quantity and quality of the lessor, thus causing the operating load to be even greater. Accumulated debts, loss-making

businesses make the burden on the company very heavy. Professional and integrated financial management is needed so that problems can be resolved immediately. Debt restructuring and management improvements must be carried out by the company.

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